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1929

Critical analysis of the unemployment situation.

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Thesis

Critical Analysis of the Unemployment Situation

Submitted by
Joseph Gerard Murray
(A.B. Boston College 1927)

In partial fulfillment of requirements for
the degree of Master of Education

1929.

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Critical Analysis of the Unemployment Situation.

Chapter 1.

Nature and Scope of Unemployment

"The man willing to work and unable to find work," says Carlisle, "is perhaps the saddest sight that fortune's inequality exhibits under the sun."[1] Not only is he the saddest sight, but he represents a problem that must be solved else our whole economic, industrial and social life will be in danger of ruin. The startling increase in the amount of unemployment is sufficient to make us pause and consider the reasons for it and devise methods whereby these conditions may be remedied. By unemployment is generally understood, "Idleness on the part of the worker which is not due to his own physical, mental or moral capacity."[2] "Those workers who are capable of work, but who are unable to obtain employment, because of some maladjustments in the economic order over which they have little or no control,"[2] are generally understood as the unemployed. "By irregular employment we mean workers not steadily employed and who lose a great deal of time from work."[2] "Underemployment is irregularity or lack of

[1] Persistent Public Problems, Taylor, p. 1.

[2] Economic Problems of Modern Life, Patterson and Scholz, p. 473.

Critical Analysis of the Unemployment Situation.

Chapter I.

Nature and Scope of Unemployment.

employment to the extent that the worker is unable to earn wages sufficient to maintain a minimum standard of living." This underemployment reduces the worker to the level of the poverty group or if he accepts charity it makes him a pauper.

Let us now find out to what extent unemployment has increased. Data on unemployment is inadequate, inaccurate and inconclusive. To obtain scientific data on unemployment we must draw from a great variety of sources.

The first source is the unemployed man himself. But this causes great difficulty for he can only be reached after long intervals and at enormous costs through a census undertaken by the Federal Government.

The second source is the labor union. Through these unions, we could find out how many men are employed in each union as compared with the total membership. A canvass of all unions should be made at least once a year and for some unions the canvass should be made at more frequent and fixed intervals.

Unorganized labor presents a more difficult problem, for in unorganized labor there are no unions, no machinery with which public authority may deal in collecting statistics.

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Unorganized labor presents a more difficult problem. For in unorganized labor there are no unions. No mechanic with which public authority may deal in collecting statistics.

To obtain such statistical data, we must resort to secondary sources. We must canvass the lodging houses, pool rooms and other places where the employed and unemployed men are apt to congregate. But this is unreliable because there may be a duplication and then again there may be some absent when the canvass is taken.

Another secondary source is the industries and lines of business employing labor. Then the difference between the normal and minimum would show the average amount of unemployment for the factories.[1]

But all these sources of data are inadequate and inaccurate. With these considerations, the available figures on the subject are as follows.

The United States Census for 1900 showed the following:- 6,468,964 working people, or 25 per cent, were unemployed during the year. Of these, 3,177,753 lost from one to three months' work; 2,554,925 lost from four to six months' work each; 736,286 lost from seven to twelve months' each.[2]

"In 1901, the Federal Bureau of Labor investigated 24,402 working class families in thirty-three states, and found that 12,154 heads of families had been out of employment for an average of 9.43 weeks during the year."[2]

[1] Persistent Public Problems, Taylor, p. 105-111.

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The New York State Department of Labor in monthly reports during the ten years 1901-1911 investigated 99,069 organized workmen, and estimated that the average number unemployed each month was 14,146 or 18.1 per cent.[1]

The Federal Census of Massachusetts for 1905 shows that in one month 7,017,138 wage earners were employed whereas in another month there were only 4,599,091 employed, a difference of 2,418,047. That is nearly two and one half million workers were unemployed.[1]

During the winter of 1914-1915, it was estimated by the Metropolitan Life Insurance Company that 442,000 people were unemployed in New York.[1]

"From a study made of the entire State of Rhode Island during the winter of 1914-1915, by Mr. Bohner of the Young Men's Christian Association, it was found that there were 30,000 unemployed men in the state; 15,000 in the City of Providence and about 5000 others who were only working part time."[1]

"In Lawrence, Mass. during the winter 1914-1915, there were 5000 unemployed men, and 20,000 part time."[2]

"In Brockton, Mass. during the winter 1914-1915, an average of between 4,000 and 5,000 were unemployed."[2]

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[2] Persistent Public Problems, Taylor, p. 239.

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The Federal Census of Massachusetts for 1905 shows that in one month 7,317,158 wage earners were employed whereas in another month there were only 4,899,091 employed, a difference of 2,418,947. That is nearly two and one half million workers were unemployed.

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"The number unemployed in 1921 was reported by the President's conference on unemployment as between three and one-half and five and one-half millions with fifteen million dependent upon them."[1]

In a recent lecture before the students at the Boston University School of Education, Prof. Calder of Springfield stated that at the present time in the United States there were forty-seven million people employed and seventy-three million unemployed.

In January, 1926 there were two million unemployed in Germany and three and one-half million on part time employment.[2]

In "The Magazine of Wall Street" of April 7, 1928, Prof. Irving Fisher says, "The recent estimate of the number of unemployed made by the United States Bureau of Labor Statistics show a shrinkage of one million, eight hundred seventy-four thousand fifty, between 1925 and January, 1928."

A typical survey which may well be representative of any city in the United States, was made in the city of Baltimore in February, 1928, by the commissioner of labor and statistics of Maryland. In the survey the following data was found:-

[1] U. S. Bureau of Labor Bulletin, No. 310, p. 1.

[2] Unemployment or War, Colburne, p. 31.

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U. S. Bureau of Labor Bulletin, No. 510, p. 1.

Unemployment or War, Colburne, p. 31.

Less than 1 month	1,981	8 and under 9 months	320
1 month and under 2	2,373	9 and under 10 months	122
2 and under 3 months	3,041	10 and under 11 months	46
3 and under 4 months	2,643	11 and under 12 months	26
4 and under 5 months	1,657	12 months and over	778
5 and under 6 months	901	Time not reported	81
6 and under 7 months	1,229	Total	15,473
7 and under 8 months	275		

Senatorial Document No. 77, 70th Congress, p. 13.

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Chapter II.

Causes of Unemployment

Unemployment is caused by factors reaching into a vast area of incidents that characterize our industrial society and the wage earning groups. Most obvious are those physical and mental incapacities which tend to make a person unemployable. The economists are interested in such causes as cyclical and seasonal fluctuations in industry, strikes and lockouts, influence of machinery, general overproduction, immigration, and many other causes rising from various political, natural and personal causes. In brief we shall now take up in detail the different causes of unemployment.

Perhaps the first cause should be classified as a physical objective cause which embraces floods, earthquakes, storms, and draughts. One need not discuss in detail the great amount of unemployment that is brought about by these physical causes. What a host of unemployed were added to those already unemployed by the recent Mississippi River flood and the volcanic eruptions in Italy, and the earthquakes in Japan and China!

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The second cause of unemployment is the number of immigrants

coming over to this country. There is at all times a large number of men out of employment. In so far as excessive immigration accentuates the evil of fluctuation in employment in a given year, it has an injurious effect on employment. A substitute for unskillful labor is found in machinery. Employees who have a low standard of living and who accept low wages, tend to delay the introduction of machinery. Any change which diminishes the supply of labor and tends to raise wages will hasten along the introduction of the most modern machinery. It is frequently argued that, without the low standard of living of the immigrant, many of the less productive resources would be unexploited. Such an argument slights the utilization of improved machinery in the absence of a mass of unskilled laborers. Cheap labor retards rather than accelerates industrial progress. Another serious problem connected with this is that the immigrants have a tendency to segregate in the large cities where the unemployment situation is the most intense. Immigration presents another strong perplexity in that they earn money here and then send it home. To the keen student of economics this may easily be a great evil, for as demand depends upon the supply, and as employment depends upon demand, the amount of unemployment

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is increased. In 1906, over four hundred thousand money orders were sent to Italy, the total amount being in round numbers sixteen million, four hundred thousand dollars, considerably more money than was brought into the country.

Another important cause of unemployment is strikes and lockouts. The figures supplied by the British Board of Trade and Ministry of Labor show that the loss per working day before the War was over ten million; at the time of the miner's strike in 1912, it was over forty million; and then in the miner's strike of 1921, the total was nearly eighty-six million.[1]

The figures offered by the United States Commissioner of Labor show the following:- In 1903 there were three-quarters of a million people out of a job;[2] in 1919, four million people were thrown out of employment.[3] Marshall Olds estimates that the total time lost through strikes in 1919 was five hundred million days.[4]

Labor disputes caused an annual loss in Massachusetts (1908-1921) of .81% of the total number of working days, and in New York (1904-14) of less than two per cent. The loss per employee through labor disputes is between two and three days per year.[5]

[1] Labor Gazette, July, 1925, pp. 230-231.

[2] Commissioner of Labor, 21st Report, 1907, p. 11 et seg.

[3] Monthly Labor Review, June, 1925, pp. 180-190.

[4] High Costs of Strikes, Olds, p. 210.

[5] U. S. Dept. of Labor Bulletin No. 310, p. 32.

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Monthly Labor Review, June, 1923, pp. 180-190.

High Costs of Strikes, Olds, p. 216.

Seasonal character of certain industries is another cause for unemployment. Seasonal industries are generally divided into two classes:

(1) Those industries which employ a large number of skilled and unskilled laborers, who depend upon the industry for a livelihood throughout the year. Examples of such industries are coal mining, building, the clothing trade, and confectionery trades, etc.

(2) Those industries which employ unskilled casual workers who travel about from place to place as the demand requires, such as lumbering, farming, canning, etc.

Practically all industries are more or less seasonal. Following are tables showing examples.

Estimated Proportion of Possible Working Days Lost Annually in Certain Industries.

Industry	Proportion of Time Lost
Clothing --------	31 per cent
Shoes --------	35 per cent
Building ---------	37 per cent
Bituminous Coal ---	27 per cent

[illegible] of certain [illegible] in [illegible] [illegible] [illegible]. [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible]

(2) [illegible] [illegible] [illegible] [illegible] [illegible] [illegible]

Proportion lost in the boon year of 1919.[1]

Industry		Proportion of Time Lost
Paper Box	----------	10 per cent
Confectionery	----------	13 per cent
Overall	----------	13 per cent
Brick	----------	15 per cent
Chemical	----------	16 per cent
Glass	----------	13 per cent

An indication of the demand for unskilled labor affected by the seasonal character is shown in a report made by the United States Employment service for 1918 on Agriculture.

Number of farm laborers called for during

January	------	100
February	------	1,000
March	------	9,000
April	------	18,000
May	------	23,000
June	------	70,000

This seasonal demand varies in the different sections of the country. In New England the demand reaches its maximum in April, while in the wheat belt the demand reaches its maximum in June. The canning industry is necessarily seasonal

[1] Monthly Labor Review, May 1920, p. 265.

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Monthly Labor Review, May 1920, p. 300.

because it is dependent upon the period when the fruits and vegetables are ripe. At the most, the industry extends for only ten months. The time of maximum employment is in mid-winter, the period of idleness being in the summer months. In the lumber industry, the greater part of the lumber is cut during the winter months. To meet the emergencies of the work of stevedores which depends on the amount of shipping in a harbor, a great surplus of labor is essential. As most of the basic industries of this country, together with agriculturing and railroading, are dependent for the most part on migratory labor, there is a great need of solving the winter unemployment situation of casual labor.

Accidents are another great cause of unemployment. Mr. Frederick L. Hoffman of the Prudential Life Insurance Co. said, "The probable approximate number of fatal industrial accidents among American wage-earners, including both sexes, may be conservatively estimated at 15,000 for the year 1913, and the number of injuries involving a disability of more than four weeks ---- at approximately 700,00."[1]

In some industries the danger of accidents is greater than in others. An estimate of fatal accidents for the year 1916 by Mr. Hoffman well illustrates this fact.

[1] Condition of Labor, Lauck and Syndenstriker, p. 194.

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Condition of Labor, Lauck and Sydenstriker, p. 114.

Fatal Accidents in U. S. for 1916.[1]

Occupation		Rate
Metal Mining	---	3.41
Coal Mining	---	3.03
Fisheries	---	3.00
Navigation	---	3.00
Electricians	---	2.25
Navy & Marine Corps	---	2.00
Soldiers	---	2.00
Quarrying	---	1.90
Lumber	---	1.50
Steam Railways	---	1.42
Building & Construction	-	1.25
Watchmen,Policemen,Firemen	-	0.75
Agriculture	---	0.35
Manufacturing	---	0.25

This table is rate per thousand employees. Approximately, there are 22,000 fatal accidents per annum in the U. S. and 26,000 serious accidents.

The length of time the employee is disabled is shown by the Industrial Accident Board of Massachusetts in 1919.

[1] Massachusetts Industrial Accident Bd. Report, 1917, p. 23.

Fatal Accidents in U. S. for 1910.

Occupation		Rate
Metal Mining	---	3.01
Coal Mining	---	3.05
Fisheries	---	3.00
Navigation	---	3.00
Miscellaneous	---	2.25
Navy & Marine Corps	---	2.00
Soldiers	---	2.00
Quarrying	---	1.90
Lumber	---	1.90
Steam Railways	---	1.42
Building & Construction	-	1.25
Retailers, Peddlers, Hucksters	-	0.75
Agriculture	---	0.35
Manufacturing	---	0.25

This scale is rate per thousand employees. Approximately, there are 25,000 fatal accidents per annum in the U. S. and 25,000 serious accidents.

The length of time the employee is disabled is shown by the Industrial Accident Board of Massachusetts in 1910.

Massachusetts Industrial Accident Bd. Report, 1914, p. 23.

Time Out		Number of Men
1 - 5 days	---	12,500
4 - 7 days	---	20,500
8 - 10 days	---	7,000
11 - 14 days	---	6,000
14 - 28 days	---	13,000
4 - 8 weeks	---	10,000
8 - 13 weeks	---	3,500
13 - 26 weeks	---	2,000
26 - 52 weeks	---	500
over 1 year	---	50

One of the most interesting sidelights on accidents, is that for nine thousand accidents which occur in the second hour of work, twelve thousand occur in the third hour and approximately fifteen thousand in the fourth hour. The increase of three thousand accidents in the third hour, and of six thousand accidents in the fourth hour represents fairly well to what extent accidents increase through fatigue.[2]

From figures supplied by the Bureau of Labor Statistics, from the increase of population in the last decade, it now should take one hundred forty men to supply the needs of the country where one hundred could formerly do so. But instead

Mass. Industrial Accident Bd. Report, 1917, p. 25.[1]

American Journal of Sociology, XVII., p, 206.[2]

Time Out		Number of Men
1 - 3 days	---	12,500
4 - 7 days	---	20,500
8 - 10 days	---	7,000
11 - 14 days	---	6,000
14 - 30 days	---	13,000
4 - 8 weeks	---	10,000
8 - 13 weeks	---	5,500
13 - 26 weeks	---	3,000
26 - 52 weeks	---	500
over 1 year	---	50

One of the most interesting sidelights on accidents, is that for nine thousand accidents which occur in the second hour of work, twelve thousand occur in the third hour and approximately fifteen thousand in the fourth hour. The increase of three thousand accidents in the third hour, and of six thousand accidents in the fourth hour represents fairly well to what extent accidents increase through fatigue.

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Mass. Industrial Accident Bd. Report, 1937, p. 25.

American Journal of Sociology, XVII., p. 206.

of that the needs of the country are now supplied with seven per cent fewer workmen than we needed in 1919. Labor saving machinery has brought this about. The man whose place was taken by a machine has been left to his fate. The unemployed man produces little or nothing. We lower national prosperity by 7 per cent if we allow 7 per cent of our workers to pass out of the consuming and buying market and this further lowers the demand by 7 per cent, which further increases unemployment.

Hobson, the English economist, concludes after a careful study of the statistics of English industries, "that the net influence of machinery is to diminish employment so far as those industries are concerned into which machinery directly enters, and to increase slightly the demand in those industries which machinery affects but slightly or indirectly. Machine industries furnish a stabilized product for which the demand is large. If the effect of the introduction of machinery is to drive relatively larger numbers of wage earners into those industries which use very little machinery, the tendency is to force larger numbers of workers from the less to the more unsteady employments.

One of the most serious causes of all unemployment is

Political Science Monthly, Vol. 8 : 97.

the child labor problem. What the base is to a factory, labor is to the superstructive of the organized society. It is the one indispensible factor. Its place and importance must be recognized, its rights regarded and defended. It must be protected against the disaster of unfair competition. The placing of any class of workers who are both unorganized and incapable of being organized is unfair to labor. Its employment reduces the adult wage and increases the class of the unemployed. By the economic law wages tend to fall toward the scale of child labor. There have been many known instances where the father has been laid off and the son put in his place for one half the wage. There are also instances which show that the family working day and night have not been able to equal the wage of the father. The United States census of 1920 reports 1,060,858 children between ten and fifteen years of age were gainfully employed; 378,063 are between ten and thirteen. There are more children under fifteen years of age employed in the United States than in England, Italy or Germany, according to population. In Massachusetts, the number of children employed during the years 1919-1925, according to figures given out by the State Board

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of Education is as follows;

Year of Employment	In State	In Towns with Continuation Schools	In Other Towns
1919	50,774	43,452	7,322
1920	43,368	36,329	7,039
1921	42,651	36,886	5,765
1922	41,898	36,317	5,581
1923	45,956	38,472	7,384
1924	38,262	32,225	6,037
1925	38,265	32,054	6,211

From the above table, it will be noted that the totals have fluctuated from year to year. They dropped sharply from 1919 to 1920, continued downward in 1921-1922, until in 1923 they exceeded the figures for 1920, then dropped back again.

The report of the Special Committee on School and Age Requirements of the Massachusetts Superintendents' Association, referring to the school year 1924-1925 says, "The total number of minors, (14 and 15), out of school and in employment at any one time during the school year just closed (a year of great unemployment) was in the neighborhood of 20,000."

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reached its greatest height during the world war, when women stepped into the men's places and did their work very satisfactorily. Then, when the men returned from the war, they found their jobs satisfactorily filled and they themselves were out of a job. Then also the low wages paid women in comparison to men's wages by which the manufacturer hires women in place of the men to do the work because of monetary preference, further causes unemployment. The United States Department of Labor in a statement issued in December, 1922 shows that virtually one quarter of the wage earners are women and more than one-half of them received less than $12 per week and work nine to ten hours a day and more.

Prison labor enters into consideration as another cause for unemployment. At least six industrial systems are used in the prisons of the United States, namely; lease, contract, piece-price, public account state-use, and public works and ways systems. In the lease system, a survival from the time before the modern idea of reformation in the treatment of prisoners, the convicts are leased to contractors. The contractor agrees to feed, clothe, house and guard the prisoners. A public function is delegated to private agencies. Its consequences are threefold; (1) it allows the state to save certain

U. S. Dept. of Labor Bulletin, No. 27, p. 18.

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U. S. Dept. of Labor Bulletin, No. 27, p. 68.

expenses; (2) it allows certain private contractors to increase their income; and (3) brings on unemployment. In 1902-1904 five states employed this system, Alabama, George, Florida, Virginia and Wyoming. The contract system is a modification of the lease system. In this, the work is done inside the prison walls. Wage earners object to this system in that by direct competition with free labor, unemployment is again increased. In 1903-1904 this system was in vogue in 27 states. The piece-price system is similar to the contract system. The contractor pays the state a stipulated sum per article produced. The prison officials allot the amount of work to be done per day. In the public-account system, the state becomes a manufacturer utilizing prison labor. The private contractor is eliminated and all profits are turned into the treasury of the state. Institutions in forty states were using this system in 1903-1904.

The four main objections to prison labor on the basis of unemployment are; (1) it is a form of subsidized labor; the prisoner must be fed, clothed, and housed whether he works or lives in idleness; (2) the labor force is always available; it cannot strike, nor can a man withdraw to accept another job; (3) convict labor and output will be very slightly affected by periods of depression; (4) convict labor is similar to slave labor.

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In 1915, the lease system was used in only one state, Florida; the contract system in 18 states; the piece-price system in 4; the public account system in 19; the state-use system in 35; and the public works and ways in 27 states.

In an investigation carried out by the United States Bureau of Labor in 1903-1904, a yearly average of practically eighty-six thousand inmates were found in the 296 institutions in which productive labor to the annual value of at least $1000 was performed. Only 59.5 per cent of the total number incarcerated were actually employed in productive labor; 24.9 per cent were occupied with prison duties, and the remainder were sick or idle.

Another cause of unemployment is found in the fluctuations of industry. The operation of supply and demand fluctuates up and down. This fluctuation lasts for a long time in some instances. The causes assigned for the fluctuations of industry are numerous. They include the following:

1. Fall in prices.
2. Speculative railroad building.
3. Misdirection of productive energy.
4. General over-production.
5. Lack of industrial organization.
6. Competition theory.

U. S. Dept. of Agriculture Bulletin 414, p. 11.

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U. S. Dept. of Agriculture Bulletin 414, p. 12.

Several of these causes are closely related; speculation, misdirection, overproduction and lack of industrial organization are all in harmony with the competition theory. When a great number of employers are in competition with each other, and when they do not know how much the market is demanding or how much their competitors are producing, maladjustment of demand and supply is sure to creep in. The competition theory involves the absence of rational reasoning, hence it means, periodically, speculation running wild, over-expansion of railroad, building and other equipment, together with overproduction, and the failure of a number of undertakings to give the necessary return from investments. This causes credit to be strained to the utmost, and loans sometimes exceed the legal limits. This causes bankruptcy of many firms which at other times would have every prospect of financial and industrial stability. Thus industrial depressions cause the collapse of credit. When in turn the capitalist has established monoply through these bankruptcies, his business is reduced to the mere process of producing and consuming goods. Today, there is a tendency in the capitalistic system as existed formerly in the feudal system; while the land-lords

were indifferent as to having their land tilled, except to have enough tilled to gain for them their own living, many people were hungry while these estates lay idle. Now, with the part-time operation of our industries, the unemployment situation is growing and will be further intensfied by the growing concentration and introduction of labor-saving machinery. Finally, some one will have to make the wheels of our industrial machinery revolve for the object of supporting the people.

The last cause of unemployment that we shall take up is our civil service. A good deal of unemployment is traceable directly to sins of ommission and sins of commission on the part of our local, state, and national governments. The government employees are grouped under two headings, military and civil servants. When a man receives an appointment either in the army or navy as an officer, he is appointed permanently. He does not have the danger of falling into the army of unemployed if he is capable and performs his duties well. In the aforesaid conditions either he receives a pension or in case of his death his widow.

But in regard to civil servants, we are setting a bad

example by increasing the amount of unemployment. At the outset of our government we were proud of our civil service, but in the first half of the nineteenth century the phrase in, "to the victor belongs the spoils." Offices became the rewards of political affiliations and the winning party claimed the choice offices in the civil service. This means that hundreds of thousands of men would lose their jobs and be compelled to join the army of the unemployed, if this principle were universally carried out.

Perhaps some may raise the question whether not as many be taken into employment as were dismissed from employment? Let us consider this question. They have not been working under influences that would bring out their best qualities. The policies that they have developed under spoils politics have been economically speaking bad qualities, for our government acts as a force reducing economic efficiency and productivity. There is only one postmaster employer in the United States. There is only one judge in the United States. Also there is no competitor with the government. Also the man who loses a government job generally loses it at a time when he is so old that it is a difficult thing for him to secure a position elsewhere.

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The following table shows the number of various government units stated in thousands.

	1900	1910
Teachers ----------	434	544
Regular army ----------	68	75
Regular navy and marines ----------	23	57
Appointed federal civil servants ------	152	384
Firemen ----------	15	36
Police, sheriffs, guards ----------	120	164
Life saving and light house service ---	3	3
Laborers ----------	48	67
State-local officials ----------	50	59
State-local clerks ----------	113	154
Miscellaneous and unclassified --------	40	50
	1,066	1,594
Total population engaged in gainful occupation -	29,287	38,167
Percentage employed by government	3.64	4.16

The significance of public employment is further brought out by the following table, (in millions of dollars).

	1900	1910
Total income of people of U. S. ----	17,964	30,529
Total expenditures through government ----	1,469	2,592
percentage through government ----	8.18	8.49

Wealth and Income of the People of the U. S., King, Table No. XXIII.

From this table we see how considerable is the proportion of the national wealth which passes into the hands of our public servants. The truth of all this unemployment is that we have not the machinery in capable public servants to cope with the situation. "Hurried temporary expedients for dealing with unemployment mark the lack of a general plan in this country."[1]

[1] Survey, Jan. 30, 1915, p. 453.

Chapter III.

Costs of Unemployment

Although the chief burden of unemployment rests on labor, its costs are also felt by the employer and by society at large. To the employer, unemployment means the loss of his wages, and its consequent lowering of the standards of living. His scanty earnings are soon exhausted, and he is brought face to face with either starvation or charity as alternatives. Moreover a general wage depression is apt to follow, because the discharged laborer tends towards other fields of employment, and tends to reduce the wages there. Unemployment also has its psychological effect, in that it makes impossible the formation of habits of steady industry and of thrift. It is hard for the unemployed man to keep from drifting into the mass of the casual laborer. It is easy for him to take the next step to tramp, dependent, or delinquent.

Unemployment is also costly to the employer as well as to the employee. Although his financial reserve may be greater than that of the employee, a closed shop pays no dividends. Overhead charges soon eat up past earnings. Moreover, the

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The heavy costs of unemployment to economic society at large are also important. Unemployment creates more unemployment. The employed are active consumers. When consumers are unemployed and stop calling for goods the factory wheels cease turning. When these factories close, more men are out of work and without purchasing power from current earnings. The more unemployment, the less the demand for goods; the less the demand, the more factory shutdowns, the more unemployed, and the less the demand for goods. So it goes around in a vicious circle, unemployment causing a reduction of buying power and demand, which in turn produces further unemployment.

The social costs of unemployment may also be seen in the rates of crime and poverty. A period of intense unemployment will increase greatly the demands on public charity. There is apt to be an increase in petty crimes against property, if not in the more serious crimes against persons. Unemployment among adult male workers may also be a contributory or direct cause

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of child labor and the entrance of women into industry. The desire to supplement the family income in this crisis may lead to the employment of women and children under sweat-shop conditions. Unemployment breeds discontent, radicalism, and a general spirit of unrest against the existing economic order.

Laborers who are willing to work but who cannot find work are easy converts to revolutionary doctrines and actions. On the other hand, regularity of employment and a living wage are the best practical arguments among laborers in defense of the existing state of condition of modern industrialism.

Chapter IV.

Remedies and Preventatives

In taking up the problem of the reduction and prevention of unemployment we shall study the various ways, laws, and bills as undertaken by the countries of the world. The first measure which is successful in meeting the unemployment situation is by social insurance. We shall now trace the development, general nature, benefits, administration and the tendencies of Workman's Compensation Laws.

Definite legal provision for injured workmen was first established in Germany in 1885. In 1897 Great Britain enacted a similar law and in 1906 provision was made to cover occupational diseases. The Australasian commonwealths and Canada soon followed their example. The United States was slower to follow these European countries due to the fact that such a step constitutes state socialism. But finally in 1902 Maryland enacted the first law providing compensation for injuries. In 1908 Congress passed a law providing accident compensation for certain federal employees. In 1914, an amendment to the New York State law made possible the enactment of a compulsory

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workman's compensation act. In 1922 similar laws were passed in forty-three states and the territories of Porto Rico, Alaska and Hawaii. In 1916, Congress made the law of 1908 cover all federal employees. Today Arkansas, Florida, North Carolina, South Carolina and the District of Columbia are the only jurisdictions that have no such laws.

The inclusiveness of the laws varies with the different states. The percentage of employees covered by the laws range from about twenty per cent in Porto Rico to almost one hundred per cent in New Jersey. In fourteen states, less than fifty per cent of the workers are covered. Four methods of carrying insurance are employed; namely, exclusive state fund, competitive state fund, private insurance and personal insurance. Most states provide for the carrying of insurance in a state fund.

The benefits paid to total disability varies in the various states. In most states a percentage, generally fifty per cent, of the wages earned at the time of accident is paid. Twenty states and the federal government provide that the payments shall continue during life time. In the case of death, benefits consist, in the most part, of about two or three years total earnings of the deceased.

The administration is carried out in two ways. First, there is a central administrative board entrusted with the power of enforcing the law, or second, all questions arising may be left to the decision of the courts. Three-fourths of the states adhere to the first method, while only one-fourth adhere to the second manner of administration.

The next important measure in social legislation is health insurance. Health insurance first began in Germany in 1883 and now applies to two-thirds of the gainfully employed, or twenty million persons. Employers contribute one-third of the premiums and the other two-thirds come from the wages of the employees. Benefits in case of illness consist in free medical inspection, hospital treatment, medicines, and appliances; fifty per cent of wages after the third day and extending for on-half a year; twenty times average wage for a funeral benefit. All the administrative work of this system is controlled by the National insurance Office.

The Health Insurance Act of Great Britain was passed in 1911 and has been amended several times, till in 1920 it stands greatly mondified. The law includes all manual workers between the ages of sixteen and seventy, and all non-manual workers

whose salaries are below $1,250 per year. The employer pays half the weekly stipend of twenty cents and the employees the other half. A male worker who is incapable of employment on account of illness receives $3.75 a week, which begins at the end of three days and lasts for one-half year. All cash benefits are paid through the local officer of an approved society. Central administration is vested in the Ministry of Health. The British system is of immeasurable value to the workman and now aids at least 16,000,000 employees.

Investigations have shown that about twenty per cent of the wage earners in the United States are ill for an average of thirty-six days but compulsory health insurance has made very little progress. In 1919, the New York Senate voted favorably on such a measure, but it failed to become a law. The costs of insurance was to be shared equally by the employee and employer. Wage-earning mothers will share in the benefits of the maternity and infant-hygiene law passed by the federal government in 1921.

There is no sadder example of the failure of our industrial system to assure justice than a large presence of aged wage-earners, who after a life of hard work, find themselves relegated to the scrap heap with no means of support except the

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generosity of relatives or charity. Some form of pension is necessary. A very small proportion of fraternal benefit societies and a few national trade unions, such as the International Typographical Union and the Granite Cutter's International Association, give old-age pensions.

Three forms of old age pensions are noteworthy;

(1) State subsidies may be provided.

(2) Compulsory contributory insurance may be provided.

(3) Gratuitous or non-contributory pensions may be granted.

The last two examples are most successfully applied. Germany inaugurated the first old age pension in the act of 1889. Upon reaching the age of sixty-five, the worker is entitled to apply for a pension. Under the provisions of the British laws of 1908 and 1911 as amended in 1919, the government, without requiring contributions from the employers or employees, gives pensions to meritorious persons who have reached seventy years of age and who have been citizens for twenty years. Noncontributory pensions are in vogue in Australia, New Zealand and France, which include in addition to a definite period of residence and citizenship, certain moral, economic and civil qualifications.

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By an act passed in 1920, compulsory contributory old age pensions for classified civil service employees of the United

States were provided for. Fifteen years of government service is required. Retirement is allowed at the age of sixty-two for railway mail employees, sixty-five for mechanics, letter carriers and post-office clerks, and seventy for all other employees.

Noncontributory pensions are not widely established in the United States. Arizona passed a law to this affect, but it was declared unconstitutional. Widows and orphans are benefited by noncontributory pensions. Such pension systems have been adopted in several European countries and New Zealand.

Up to the year 1922, forty states in addition to the territories of Alaska and Hawaii have enacted mothers pension laws. The eight states that have no such law are Rhode Island, South Carolina, North Carolina, Alabama, Georgia, Kentucky, Mississippi, and New Mexico. No uniformity consists in the various laws. Most states grant payments to mothers with dependent children but nine states limit the payment of pensions to widows. The payment is very inadequate. Payments usually ran between $12 and $15; a smaller allowance is often allowed for each additional child.

One of the most satisfactory schemes of unemployment insurance is that which originated in Ghent, Belgium in 1901. In this system the administration is taken over by the trade unions,

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Berne made the first attempt under government auspices to provide for insurance against unemployment on January 13, 1893. Membership was entirely voluntary in nature. The only condition of membership was the monthly payment of dues which amounted to seven cents per month. To this monthly fund the town added a subsidy which was not to exceed nine hundred and sixty-five dollars a year. The relief was only granted during the winter months of December, January and February. To obtain the relief the member had to pay his dues regularly for six months and be out of work for at least fifteen days. In its third year of

which made substantial contributions out of the dues of their members to unemployment benefits for them. These benefits are further increased by appropriations from the public treasury justified on the ground that if the city does not help them in this way they will be compelled to do so in the more humiliating and demoralizing form of poor relief. The contribution required from the trade unions gives them the strongest incentive for preventing fraud against the fund, and since the members of a union know each other personally, they can generally judge whether a fellow member is deliberately loafing or not at the funds expense, the administration is fairly economical and efficient.

Berne made the first attempt under government auspices to provide for insurance against unemployment on January 15, 1893. Membership was entirely voluntary in nature. The only condition of membership was the monthly payment of dues which amounted to seven cents per month. To this monthly fund the town added a subsidy which was not to exceed nine hundred and sixty-five dollars a year. The relief was only granted during the winter months of December, January and February. To obtain the relief the member had to pay his dues regularly for six months and be out of work for at least fifteen days. In its third year of

existence, six times the amount of dues received from members was paid in benefits.

St. Gall followed the lead of Berne, on May 14, 1894. Its policy differed from that of Berne in that compulsory unemployment insurance was adopted. The canton of St. Gall gave the authority to any of its communes to create such an unemployment insurance, and further permitted several of its communes to combine in organizing a general insurance system. Membership was compulsory on all men whose wages did not exceed five francs per day. Weekly dues were based on the amount of wages received weekly by its members, not to exceed however 30 centimes; the amount of benefit was likewise proportioned. To be entitled to the benefits, he had to pay his dues for six months and be out of work for five days. The fund was administered by a commission of nine members, two of whom were appointed by the municipal authorities and seven by the workmen.

The following table shows the receipts and expenditures during the year it was founded:-[1]

Receipts	
Contributions of members	$4183.14
Municipal subsidy cash	772.00
Municipal subsidy, payment of operating	1084.44
Interest	21.81
	$6061.39

[1] Trade Unionism and Labor Problems - Commons p. 594.

Expenditures[1]

Benefits	----------	$4536.30
Operating expenses	----------	1084.44
		$5620.74
Balance on hand	----------	$440.65

The British unemployment act went into effect July 15, 1912. which includes all manual and non-manual workers whose earnings do not exceed $1250 per year, but excluding those in agricultural and domestic work. Twelve million are covered approximately by this act. The age of insurance is sixteen years of age. The contributions of employers and employees are thirty cents a week. Unemployment benefits may be drawn for one-half a year. The waiting period is six days. The employee is not compelled to accept a job in a place where there is an industrial dispute, nor at wages less than the scale for his occupation or trade. To reduce unemployment a refund of one-third of his own contribution is given to the employer for each employee assured work for not less than forty-five weeks in a year. Unemployment books are furnished the employees who give them to the employer on being hired. Then on pay day the employer affixed stamps to the book representing the combined value of his own and the employees contribution. Stamps are furnished the employer

[1] Trade Unionism and Labor Problems - Commons - P. 594

by the post office, and the money thus derived is sent to the unemployment insurance fund. When the worker is unemployed, he takes his book and deposits it at the insurance office, thus registering himself.

Although the United States has no state or national system of unemployment insurance, several experiments are tried in private industries. Perhaps the best known of these plans is the "Cleveland Plan" which was instituted by the ladies' garment industry in Cleveland, Ohio. In this plan, each employer guarantees each regular worker twenty weeks of work during each half year. If the employer does not provide the guaranteed period of work, the employees are entitled to two-thirds of their respective wages during the unemployed part of the twenty weeks. The employer builds up an unemployment fund by depositing with the chairman seven and one-half per cent of his total payroll for each week. At the end of each six months period, that portion of the fund which has not been paid out to the employees for unemployed time is given back to the employer.

In 1921, a bill was introduced in the Wisconsin legislature which would require all employers to pay a dollar a day for a term of thirteen weeks to every employee laid off

through no fault of his own. Such a system would tend to regularize production and stabilize the credit basis, since unemployment would penalize the employer instead of the employee, and banks would be unwilling to advance money to employers who could not give proof of their ability to furnish regular employment.

Manufacturers are able to relieve the unemployment situation by part time work; manufacturing for stock, plant construction, general repairs, improvements and readjustments; improving sales methods; increasing the variety of products and standardizing products. Special discounts may be offered to customers who purchase their stock out of season. In periods of inactive demand, manufacturers can produce products for stock and the surplus may be stored away. Standardization of styles and products can be brought about by the earnest cooperation of the consumers and the manufacturers. Manufacturers can make improvements and extensions not during the prosperous times when labor is scarce but when there is an over-abundance of labor such as in times of great unemployment. Employment could be greatly steadied if these activities were extended until times of slow production. This would result in a lower costs to the producer and would tend to relieve the unemployment situation.

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Although it may not be possible to entirely eliminate altogether under our present industrial system, the economic costs of labor turnovers, much can be done in the way to lessen it. The suggestions offered for the reduction of labor turnover in industry include:- the establishment of a centralized employment department; a proper system of apprenticeship and methods of promotion; job analysis; improved labor standards; bonuses, profit sharing and the like; improvement in living conditions; regulation of production; establishment of amicable relations between department heads and employees; and the organization of a plant committee.

Constructive policies such as the above enumerated, have helped considerable to cut down unemployment in many establishments. The Saxon Motor Company, in the first year of the operation of its employment department, reduced its labor turnover one hundred and forty per cent. Swift and Company recently spent $150,000 in training their five thousand foremen through a course to teach them how to handle their men so as to increase industrial good-will and reduce the number of unemployed men.

Education of the workers through industrial education and vocational guidance reduces unemployment. As industry stands on

Although it may not be possible to entirely eliminate migratory under our present industrial system, the economic costs of labor turnover, much can be done in one way to lessen it. The suggestions offered for the reduction of labor turnover in industry include:- the establishment of a centralized employment department; a proper system of apprenticeship and methods of promotion; job analysis; improved labor standards; bonuses, profit sharing and the like; improvement in living conditions; regulation of production; establishment of amicable relations between department heads and employees and the organization of a plant committee.

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Education of the workers through industrial education and vocational guidance reduces unemployment. As industry stands on

its present basis, there will be a demand for low-skilled men. Yet, it does not necessarily follow that the men who take such positions need to be unskilled. Indeed they may be well trained, highly educated and cultured. It rests with the school to see to it that the boys and girls who enter the school have at least a minimum of vocational training.

Now we shall see what school systems are doing in providing vocational preparation. The schools in general afford preparation before employment begins. We shall now take up how the school accomplishes this:

(1) For business pursuits. The report of the North Central Association shows that in 1925 there were 309,395 enrollments in commercial subjects among the 678,935 pupils enrolled in the 1571 public high schools governed by the Association. In this commercial course the student is given instruction which at least is practicable in typing, stenography, business arithmetic and bookkeeping.[1]

(2) For homemaking. The North Central report referred to above shows that 100,156 girls, or about 33 per cent enrolled, were pursuing the homemaking subjects.[1]

(3) For agricultural pursuits. The United States is preparing more than 67,545 for agricultural pursuits today. This

[1] Report of North Central Association of Colleges and Secondary Schools 1925, p. 11

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number is very small because modern life in so organized today that it encourages the farm boys to go into the industrial, professional and business occupations of the big cities.

(4) For industrial pursuits. Working on the theory that three-fourths of the children who leave school to go to work, would stay in school if opportunity was offered. Consequently, numerous trade schools were established in the eastern states especially Massachusetts. Today we find only 4014 pupils in the trade schools in Massachusetts as compared with 30,256 in the four-hour-a-week compulsory part time schools. When a pupil completes a two year trade course at sixteen years of age, it is very difficult for him to find employment at that trade till he is eighteen. Consequently, many trade school graduates must either find employment in some other occupation than that which they prepared for or go to school till they are eighteen years of age.[1]

Also in modern industry there are jobs that need no preparation. The work is so highly specialized that they need no preparation. To cite an extreme case, 4032 different jobs in a large plant in Detroit were classified as follows according to the time required to become proficient.

Ninth Annual Report Federal Board for Vocational Education 1925,p.15.

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(4) For industrial pursuits. Working on the theory that three-fourths of the children who leave school to go to work, would stay in school if opportunity was offered. Consequently, numerous trade schools were established in the eastern states especially Massachusetts. Today we find only 40% pupils in the trade schools in Massachusetts as compared with 30,000 in the four-hours-week compulsory part time schools. When a pupil completes a two year trade course at sixteen years of age, it is very difficult for him to find employment at that trade till he is eighteen. Consequently, many trade school graduates must either find employment in some other occupation than that which they prepared for or go to school till they are eighteen years of age.

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Ninth Annual Report Federal Board for Vocational Education 1921, p.

1743 jobs or 43 per cent require 1 day or less.
1461 jobs or 36 per cent require 1 day to 1 week.
251 jobs or 6 per cent require 1 week to 2 weeks.
534 jobs or 14 per cent require 1 month to 1 year.
43 jobs or 1 per cent require 1 year to 6 years.[1]

An effort is being made to alleviate the unemployment situation in the cities by bringing the same vocational training to those in the rural districts. This is done by means of correspondence courses. In 1922 arrangements were made by the principal of the Benton Harbor High School for his pupils to obtain vocational preparation from a Chicago correspondence school. In 1925, in this city of 13,000 population, 114 pupils obtained preparation in this manner. Among the various courses were the following: advertising, automobile repair, cartooning, electrical engineering, accounting, navigation, plumbing, poultry farming, surveying, and mapping.

Another means of alleviating the unemployment situation is by means of preparation in connection with employment. The cooperative high school course has been used in a number of cities to provide preparation for occupations. This plan was first inaugurated in Fitchburg, Massachusetts in 1908, which was primarily a plan for training engineers.[2] This plan places pupils at

Salvage of Men - Meade 1919.[1]

United States Bureau of Education. Bull. 314, p. 14[2]

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United States Bureau of Education, Bull. 414, p. 14

half-time employment at occupations which they wish to follow, the other half of their time being spent in school. In 1915, this plan was adopted in ten high schools of New York City. Lansing, Michigan has used this plan with success for fifteen years.

The compulsory continuation school is required by law in one half of the states. The Federal Board of Education reports in the year ending June 30, 1925 there were 319,002 in continuation schools.[1]

In several large cities another type of part-time school is making an important contribution to vocational preparation, the part-time school for apprentices. Generally a three-fold agreement is entered into between the school, employers, and the labor union. The schools provide the class-room, equipment and teachers. Employers pay the apprentices and the labor union lends its moral support. The following table shows the number of apprentices in different trades who were attending such part-time schools in Cleveland in March, 1926:-[2]

Auto Mechanics	44	Carpenters	218
Plumbers	143	Painters & Paper-hangers	81
Machinists	91	Electricians	109
Bricklayers	197	Total	883

[1] Federal Board for Vocational Education, Ninth Annual Report 1925, p. 13.

[2] Problem of Vocational Guidance - Myers, p. 160.

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Auto Mechanics -----	44	Carpenters -----	216
Plumbers -----	143	Painters & Paper-hangers -	21
Machinists -----	91	Electricians -----	[illegible]
Bricklayers ------	197	Total -----	885

Federal Board for Vocational Education, Eighth Annual Report 1920, p. 13.

Problem of Vocational Guidance - Myers, p. 120.

Evening classes is another form of preparation. This type of work supplants the daily experience of adult workers and makes them more proficient in the occupation in which they are already engaged. Worthy of commendation are the schools of the type of the Lowell Textile School which reduces unemployment. In these schools, experts are trained to produce more goods. It was established for the purpose of giving instruction in the theory and art of textile industry. It offers thorough instruction in the elements and principle applicable to the textile industries. "Not only did the unusual progress of the textile industry require such a school, but, through the rapid development of the manufacture of the coarse cotton fabrics in the southern states a crisis had occurred in the leading industry of New England which could be met only by wider and more thorough application of the sciences and arts for the production of finer and more varied fabrics."

Under the Labor Exchanges Act of 1909, a complete national system of employment bureaus was established for the entire United Kingdom. It resulted from a study of the problem of unemployment during and after a number of exceptionally severe trade depressions and upon the recommendation of the Royal Commission on the Poor Laws of Relief of Distress 1905 to 1909.

Persistent Public Problems - Taylor 177

A labor Exchange is "any office or place used for the purpose of collecting and furnishing information, either by the keeping of registers or otherwise, respecting employers who desire to engage workpeople and workpeople who seek employment or engagement."[1] In January, 1916 there were 390 labor exchanges and together with their branch offices they cover the whole United Kingdom. They are further grouped in eight territorial divisions and which in turn are co-ordinated with a central office in London.

In 1915, the labor exchanges received 3,186,137 applications for work, representing 2,345,816 individuals. The following table shows the operations of labor exchanges from 1911 to 1915.[2]

Year	Exchanges Open	Applications	Individuals	Vacancies	Work Given	Vacancies Filled
1911	261	2,040,447	1,513,369	788,609	469,210	621,410
1912	413	2,465,304	1,643,587	1,062,774	573,709	828,230
1913	422	2,965,893	1,871,671	1,222,828	652,306	921,853
1914	401	3,442,452	2,164,023	1,479,024	814,071	1,116,909
1915	390	3,186,137	2,326,803	1,797,646	1,058,336	1,308,137

Compared with the year 1913, the number of vacancies reported increased by twenty-one per cent in 1914 and by 47 per cent in 1915; the number of registrations by 16 per cent in 1914 and by

[1] Labor Exchanges Act Sept. 20, 1909, Sec. 5.

[2] Labor Gazette, February 1916.

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In 1915, the labor exchanges received 5,186,137 applications for work, representing 2,540,316 individuals. The following table shows the operations of labor exchanges from 1911 to 1915.

Year	Exchanges Open	Applications	Individuals	Vacancies	Work Given	Vacancies Filled
1911	391	2,040,447	1,513,369	788,509	449,210	621,410
1912	413	2,465,304	1,643,587	1,005,774	573,759	828,230
1913	422	2,965,893	1,571,671	1,222,585	662,306	921,753
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Labor Gazette, February 1916.

7 per cent in 1915; the number of individuals registered by 15 per cent in 1914 and 24 per cent in 1915; number of individuals given work, by 24 per cent in 1914 and 62 per cent in 1915; and the number of vacancies filled by 21 per cent in in 1914 and by 41 per cent in 1915.

Hitherto we have considered the results of the labor exchanges in general. Now we shall consider their effect by a number of specific instances. First, we shall consider the effect on casual labor. The Liverpool dock scheme has attracted wide interest. In brief, it operates by a system of connected branch exchanges at different points along the water front. Here tallies are registered to workmen, and the total weekly earnings are paid out to them in a lump weekly sum. The statistics gleaned from the payment of wages through the clearing houses, according to Mr. R. Williams, the originator, "prove very clearly that shipowners are suffering by reason of the fact that they have no reliable reserve of labor" and "that, given efficient and systematic organization, a very large number of men would be permanently employed year in and year out at the docks."[1]

Similar schemes are in vogue in Goole, a small east coast port and in Sunderland. Casual labor is dealt with under a like

[1] First Year's Working of the Liverpool Docks Scheme - Williams, p. 130

7 per cent in 1913; the number of individuals registered by 16 per cent in 1914 and 24 per cent in 1915; number of individuals given work, by 24 per cent in 1914 and 32 per cent in 1915; and the number of vacancies filled by 21 per cent in 1914 and by 41 per cent in 1915.

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First Year's Working of the Liverpool Docks Scheme - Williams, R.

plan in the case of cloth porters in Manchester and cotton porters in Liverpool:-/.

Number of jobs found through casual register 1911-1914.

Class of Laborers	1911	1912	1913	1914
Cotton porters, Liverpool -	4,237	3,108	1,958	1,652
Cloth porters, Manchester -	66,701	62,047	69,013	38,914
Dock Laborers -	22,220	158,881	152,635	114,401
Total -	93,158	224,036	223,606	154,967

From the very first labor exchanges have been used to solve the effect on seasonal labor by studying ways and means of dovetailing different seasonal employments. In 1915, 7,106 vacancies were filled for fruit and hop pickers, the figure for 1915 being 8,031. Arrangements are made each year with the post office to hire labor in connection with the Christmas rush. The number of vacancies filled was 33,264 in 1911, 39,700 in 1912, 42,343 in 1913, 35,553 in 1914. The total number of women placed in employment through the labor exchanges was, at the end of 1915, 55,499.

The effects of the labor exchanges as to advantage to the employer may well be summed up as follows:- "Employers now have the great advantage of being able to consult an up-to-date and live list of unemployed which oversteps limiting geographical

Labor Gazette for February 1915./.

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Cloth porters, Manchester -	66,731	62,047	69,013	38,914
Dock Laborers -	29,220	158,881	159,635	114,402
Total -	95,158	224,036	225,606	154,867

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Labor Gazette for February 1915.

boundaries. Let me give a few instances of what is occurring. York has found builders for the Doncaster coal fields. Leeds has imported borers for horizantal boring machines. Workmen in so highly specialized a trade as fine gun-sight work have recently been transferred from the South to the North of England. A firm of Selby shipbuilders were recently stopped for riveters; the exchange rapidly secured them a gang from Birkenhead."

In Germany, the exchanges have reached the greatest development. The Trade Union Exchanges in Germany act as selling agents for labor, and the employers are expected to go there and hire the laborers. They are organized by trades, several trades are represented in one building, where they make a central exchange. There are three other classes of labor exchanges in Germany:

1. The Commercial, through correspondence.
2. The Private Exchange, operated mainly for profit.
3. Philanthropic Bureaus, with a charitable aspect and uncertain financial report.

Most important are the Public Exchanges which began in 1884 in Germany. In 1903, the Imperial Labor Bureau was

The Advantages of the Labor Exchanges to the Large Employer - Rowntree, p. 40.

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Most important are the Public Exchanges which began in Lucas in Germany. In 1901, the Imperial Labor Bureau was

The advantages of the Labor Exchanges to the Large Employer - Hamilton, p. 10.

established and published bi-monthly labor data. In its organization two things are necessary:- It must be inclusive and efficient; and there must be local and interlocal organizations of bureaus. Various qualities enter into consideration of the first position for the unemployed. Ability is the chief regard in Stuttgart. Munich has the following preferences:- (1) the unemployed; (2) those who paid a residence tax; (3) married workers; (4) those who have children; and (5) those who have no other support than their employment.

The system of public exchanges in Switzerland is regulated by the government. The exchange must be public, and charge no registration fee. Their administrative board must have an equal representation of employer and employee. In strikes and lockouts the exchange must publish lists and distribute them to the workers.

It was estimated by the New York Industrial Commission in 1911, that there were sixty free public employment bureaus in the United States. Twenty-one states have now made provisions for labor exchanges. The first one was established in Ohio in 1890. Nebraska was second in 1897, Missouri and Illinois established bureaus in 1899. Kansas, West Virginia and Wisconsin in 1902. In 1914, New York by legislative act enacted a system of labor exchanges and in 1916 New Jersey and Pennsylvania

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followed suit. Proof of the usefulness of these bureaus is shown by the increase in the bureaus during the years that they have been in existence. Illinois has eight offices; Indiana, Michigan, Ohio and Connecticut have five exchanges; Colorado, Massachusetts and Wisconsin have four exchanges; and Minnesota, Missouri and Oklahoma have three. In 1912-1913 Colorado filled 15,392 positions, Connecticut in 1913 filled 8725 and Illinois over 69,000; Indiana 14,434; Massachusetts 29,117; Michigan 42,423; Minnesota 63,339; Missouri 14,439; Ohio 67,425; Oklahoma 13,292 and Wisconsin 26,837. The per capita cost ranges from 18 cents in Michigan to $1.67 in Rhode Island, but this is far less expensive than maintaining unemployed men through public charity and relief. "Better the worker in the job line than the unemployed in the bread line."[1]

If every state had an effective system of exchanges, able to deal with the unemployment problem, our present chaotic condition in the labor market would be greatly eliminated.

Numerous private employment bureaus exist throughout the country. In New York City, there are at least eight hundred such agencies. A canvass undertaken in Pennsylvania shows that there are 49 labor contractors and 146 commercial and domestic agencies carry this on. There are ninety private employment

[1] Persistant Public Problems - Taylor - p. 125.

following such. Proof of the usefulness of these bureaus is shown by the increase in the bureaus during the years that they have been in existence. Illinois has eight offices; Indiana, Michigan, Ohio and Connecticut have five exchanges; Colorado, Massachusetts and Wisconsin have four exchanges; and Minnesota, Missouri and Oklahoma have three. In 1912-1913 Colorado filled 16,892 positions, Connecticut in 1913 filled 8728 and Illinois over 68,000; Indiana 14,424; Massachusetts 20,117; Michigan 42,439; Minnesota 82,329; Missouri 14,439; Ohio 67,488; Oklahoma 14,272 and Wisconsin 36,827. The per capita cost ranges from 12 cents in Michigan to $1.67 in Rhode Island, but this is far less expensive than maintaining unemployed men through public charity and relief. "Better the worker in the job line than the unemployed in the bread line."

If every state had an effective system of exchanges, also to deal with the unemployment problem, our present chaotic condition in the labor market would be greatly eliminated.

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employment bureaus in the City of Boston, according to Mr. Walter Sears, formerly superintendent of the Boston Public Free Employment Bureau. There are thirty like bureaus in Kansas City which take care of about thirty-three thousand jobs. In general the private employment bureaus need to be supervised by public authorities and in a few Western states, they are supervised by the labor departments. Private employment bureaus are subject to the following abuses:

1. Collusion between the agencies and labor foreman to keep the labor force shifting and thereby increase the fees.

2. The placing of people already employed in new positions so as to fill two or three positions by the shifting process.

3. Charging of excessive fees.

4. Misrepresentation in regard to the qualifications of applicants and of the character of positions.

"A careful arrangement of public works to be increased in the slack seasons and lean years of private industry would help equalize the varying demand for labor. Public work must be systemically distributed." Even at a greater cost public works should be conducted in years of depression. A program of public work should be laid out several years in advance and then pushed when the unemployment situation is most intense.

employment bureaus in the City of Boston, according to Mr. Walter Deane, formerly superintendent of the Boston Public Free Employment Bureau. There are thirty-five bureaus in Greater City which take care of about thirty-three thousand jobs. In general the private employment bureaus need to be supervised by public authorities and in a few instances, they are supervised by the labor departments. Private employment bureaus are subject to the following abuses:

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"A careful arrangement of public works to be increased in the slack seasons and lean years of private industry would fairly equalize the varying demand for labor. Public work must be systematically distributed." Even at a greater cost public works should be conducted in years of depression. A program of public work should be laid out several years in advance and then pushed when the unemployment situation is most intense.

Among the public works to be undertaken in times of dire stress in unemployment, are road making, building bridges, sewers, parks and the improvement of cemeteries.

But municipal work should be taken with the greatest caution for there are many dangers involved. It has a bad effect upon the men who are accustomed to look to public authorities for the support of private individuals and tends to destroy the very thing which must be insisted upon, that the man who must be interested in finding work for the unemployed should be the unemployed himself. This work may also have a bad effect upon wages. To prevent this, public works must pay less wages, and less than the market rate for labor, so that there will be no attraction in work of this nature. Also work of this nature should be provided for these men only who have families dependent upon them for support. They ought not to be paid in money but only in commodities such as clothing and provisions.

The evils of providing work of this nature may be shown in the national acts of Paris in 1848, where it was proposed to build government buildings and employ all workmen who seek employment. In a short time nearly fifteen thousand men were employed. As a result of this, private industry ceased, general

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strikes ensued, and the army at the close of three days had to be called to readjust the situation.

Various modern methods have been used to provide refuge for the unemployed. Germany has undertaken the so-called labor colonies. These are generally supported by public and private enterprizes combined. The laborers are paid a small wage, yet nevertheless they are not self-supporting. They are usually crowded in winter and in the summer do not have enough work for the men. The Maison de Travail, in Paris, conducted by the Sisters of Charity is self supporting and earns a profit. Duluth, Minnesota carries on the program of building sewers during the winter to alleviate the unemployment situation. Detroit claims that digging sewers in frozen ground is no more expensive than digging them in the blazing summer sun.

The communities which have not adopted such a policy, should start as soon as possible, for it is better to give work through the public works than to support the unemployed through charity. Over fifty American cities carried on such a program successively during the winter of 1914-1915.

Recently a law was passed by the Idaho assembly that every person who has lived in Idaho for one-half a year is entitled to ninety per cent of the usual wage if married, otherwise seventy-five per cent.

The establishment of a six day week is necessary. To remedy the seven day week, the "Standary Bill," prepared by the American Association for Labor Legislation for adoption of state legislature provides that in factory and mercantile establishments, employees, with a few necessary exceptions, shall be allowed one day of rest in seven. But how does this affect unemployment? To meet this requirement, the manufacturer need to add one-sixth more workmen to his corps.

While fifteen foreign countries had by June, 1928, ratified unconditionally the convention adopted by the official International Labor Conference in 1921, specifying that employees be given a rest day of at least twenty-four consecutive hours, in this country only six states and the federal government have passed laws embodying the principle of one day of rest in seven. The California and Connecticut laws provide for exemption "in any case of emergency," and the federal law is applicable only to post-office employees, the Michigan law lists many exceptions; in addition to the exceptions of the Standard Bill, Massachusetts lists many exceptions. In Wisconsin, workers in flour mills, milk and cheese plants are exempted. Despite the great lag of one day rest in seven, many leading authorities advise its acceptance.

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Various leading business men have expressed themselves on this matter.

John D. Rockefeller, Jr., said, "The seven-day week and the twelve hour day are uneconomic and anti-social, hence bad business. The worker is a human being, not a machine; he does his best work when he has adequate opportunity for home life, recreation, self-improvement and workship. One day's rest in seven and a working day of reasonable length is the standard etc." [1]

John M. Pattison, President of the Union Central Life Insurance Co., in 1914 expresses it thus, "If any applicant came to us for insurance, and we knew he was working seven days a week, we would refuse the risk."

John A. Voll, President of the Glass Bottle Blowers Association of the United States and Canada believes, "the greatest factor in bringing on tubercolosis is overwork. *** One day of rest in seven and the shorter work day will improve the health of the wage-earner, will raise the standard of society and will increase population." [2]

Regulation of contract prison labor for the prevention of unemployment is another requisite. Few states as yet have made any progress in controlling prison labor. California passed a law (C.164) which went into effect July 4, 1917. "It is prohibited to sell or have in possession for sale any article for

[1] Before meeting of Standard Oil Company of New Jersey in 1923.

[2] American Labor Legilsation Review, March 1917, p. 200.

personal wear manufactured at a penitentiary or any other institution supported by public expense and outside of California except when labeled designating the institution where manufactured and unless a notice is kept on exhibition in the sales rooms stating that goods so manufactured are for sale. A violation is a misdemeanor." New Jersey has the following law which went into effect March 27, 1917. "Prisoners are not to replace free labor locked out or on strike, nor are they to be employed on any public work when sufficient free laborers apply." In the law which went into effect March 7, 1917 in North Carolina the following conditions are involved. "Contracts by which the labor or time of any prisoner in the state penitentiary, prison or reformatory, or the product or profit of his work, is given or let to an employer, are prohibited." The following law went into effect in Tennessee on October 1, 1916. "The system of contracting or leasing the labor of convicts to manufacturers is abolished." So one of the greatest needs of the country today is the enactment of laws such as the above to prohibit free convict labor interfering with paid labor and thus causing unemployment.[1]

The immigration policy of the United States has been planned with little regard for the great need of adjusting the

[1] American Labor Legislation Review, March 1915, p. 535.

incoming of aliens to the industrial need of this country. The literary tests and influx based on nationality percentage tend to keep out no more aliens in times of depression than in times of great national prosperity. American Labor has sound judgment back of the demand for the complete exclusion of foreign immigrants when the labor demand is too excessive. If this policy were supplemented by a careful selection based on industrial needs so that the immigrants could enter those industries in which the labor demand is greater than the supply, then both the interests of the American workers would be safeguarded and their standard of living would be protected. So far sentiment and political influence have prevented this, with the dire result that in years of great unemployment, the American worker has suffered because of the flood of immigrant workers into a field in which the labor demand is nearly negligible.

In 1875 and 1882, federal laws were passed to keep out people who were considered to be detrimental to the public welfare. The law of 1885 forbade the importation of contract labor; more effective measures providing for the deportation of immigrants landed in violation of the law of 1885 were passes in 1887-1888. In 1891, another law was passed forbidding

the importation of people afflicted with disease and paupers. In 1894, a law was passed which raised the head tax on immigrants to one dollar. In 1903 the Department of Commerce and Labor was created and the office of the Commissioner General of Labor was place in this department. In 1907, a law was passed which raised the head tax on immigrants to four dollars. In 1910, an act forbidding the importation of women for immoral purposes was passed. On February 5, 1917 a law was passed which provided for an illiterary test for immigrants. The law of 1917 increased the head tax to eight dollars. On June 3, 1921 a percentage law became effective, which provides that the number of aliens of any nationality that can enter in any year shall be only three per cent of those which were already residents in the United States, determined by the census of 1910. This act expired June 30, 1922, but Congress extended the law to June 30, 1924 and it is vogue now.

Charity, as a means of relieving the suffering caused by unemployment is universally condemned except in special cases. Soup kitchens, bread lines, and the unemployment doles are to be discouraged, since giving to able-bodied persons has deleterious effects upon society and individuals. Municipal lodging houses are often provided for single men, but an amount of work

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is required of every individual who is thus aided. Odd jobs and work-shops are means of caring for unemployed persons when no other sources of work are available. Workers want employment, not charity.

Over-expension of credit is the cause of business cycles and fluctuations of employment, so it is necessary that a more conservative policy of credit extension be introduced. This step depends entirely upon the banks. In periods of industrial activity when business men ask for large amounts of credit to make extensions necessary in order to get a full share of the abnormal market, limitations should be imposed on borrowers. When such restriction is absent these enterprisers will extend their industries beyond the requirement of normal demand and unemployment will set in. The Federal Reserve System can be used as a good regulator of credit. In time of great business activity rates can be increased so high that borrowing will be discouraged, and in periods when business is slack the interest rates can be made lower to encourage production.

Another means of reducing the unemployment situation is the codification of better child labor laws. In the outset of this discussion let us see what the various distinguished characters say about child labor. Dr. Felix Adler, Chairman,

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It has long been recognized that child labor may be marketed in severe competition with the labor of men and women. This is claimed as the most serious effect of child labor. By child labor, adult workers may be displaced and thrown out of work. In unskilled occupations or where easily operated machines have been introduced, child labor has resulted in the displacement

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of adult labor. Because child workers cannot bargain collectively, employers find it easy to extend the hours and to neglect the physical conditions of employment. In the period of general depression 1921-1922 the Secretary of Labor stated that one and one-half million more jobs for adults would be available to relieve the unemployment situation in the United States if child labor were entirely eliminated. On both economic and social grounds, the Secretary protested against the practice of working children in the heartless maw of factories, mines and quarries and on farms.

Also unemployment among children is apt to be very high. A study of unemployment among a certain group of children in Boston showed that the proportion of unemployed time was 14.4 per cent.[1] Other investigations have revealed the same thing. To relieve unemployment therefore, we need to enact better child labor laws than we have hitherto and we also need to administer compulsory school attendance more vehemently.

Labor unions exist primarily for the purpose of collective bargaining. Collective bargaining is the joint determination of the terms of employment by an organization of workers and an employer or an association of employers, acting through their

[1] Monthly Labor Review, January 1921, p. 8.

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Monthly Labor Review, January 1921, p. 6.

duly appointed representatives. The worker, bargaining individually with the employer is at a serious disadvantage. The employer is not compelled to hire any certain laborer, since substitution is easy, and machinery tends to increase the possibility of substitution. The worker has no such advantage; he must accept the job offered him or face unemployment or starvation. The employer has a basis of credit, the worker has not. To the laborer, unemployment means debt or charity. Finally, competition for jobs is always severe, because of the labor reserve. To prevent this deterioration and to improve the economic status collective bargaining is introduced. For the workers, collective bargaining is embodied in trade unionism.

As a final step, let us now examine the many means attempted by various manufacturing concerns to alleviate unemployment. Prominent among the concerns that have adopted a plan for the prevention and relief of unemployment is the Dennison Manufacturing Company, Framingham, Massachusetts. This company generally started in September and lasted for four months. By the application of the following principles, the company has reduced seasonal unemployment.

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(1) By getting the customers to order at least a minimum quantity of the goods well in advance of the season.

(2) The proportion of nonseasonal orders is increased.

(3) All stock items are planned more than a year in advance.

(4) Departmental needs are planned in advance.

(5) The building up of out-of-season items and varying the lines of production in order to balance one demand against another are encouraged.

The number of employees increased from 1,840 in January, 1916 to 2,650 in January, 1922, the firm passing successfully through the period of acute unemployment of the years 1920-1922.

N. O. Nelson Company, St. Louis, Missouri, manufacturers of plumbing supplies, have a profit sharing plan. Mr. Nelson started sharing profits with his employees in 1886, offering 6 per cent on all capital. Ballard and Ballard Company introduced its profit sharing plan in 1886, in its flour mills at Louisville, Kentucky, by giving its employees 5 per cent of the net profits as a bonus. Procter and Gamble, the soap manufacturing concern of Cincinnati, Ohio, established its profit sharing system in 1887. The garner Print Works and Bleachery of Garnersville, New York, also has a loss sharing

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American Labor Legislation Review, March 1921, pp.53, 56.

scheme which sets aside 15 per cent of net profits as a sinking fund for losses. The A. W. Burnett Company, lumber and timber dealers of Bridgeport, Connecticut, has a loss sharing system which was introduced in 1900. To build up the fund, 10 per cent of the wages of the employee is deducted from the weekly payroll. The International Harvester Company has a plan which was adopted in 1919 to promote mutual understanding and confidence and thus reduce unemployment. The B. Edmund Dam Company has a federal system composed of a house of resrepresentatives elected on the basis of one representative to every twenty employees. The heads of the departments and the foremen constitute the senate, while the cabinet consists of the highest officers of the company. Similar plans to promote mutual understanding are used by the Colorado Fuel and Iron Company and the Philadelphia Rapid Transit Company.

Chapter V.

Conclusion

Unemployment is enforced idleness on the part of the workers. The unemployment problem is more acute in the city, in the winter months, and in periods of economic depression. There is a permanent problem of unemployment due to a lack of perfect and continuous adjustment in the demand for and supply of various kinds of labor. This has its rise from the complexity of the modern industrial system, which is characterized by extreme speculation, the use of machinery, and the capitalistic method of production. The organization of modern industry results not only in the existence of a large number of irregularly employed workers, but also in the existence of a considerable number of migratory laborers. A scientific approach to the problem of unemployment necessitates a removal of the chief causes as far as possible. The deferring of public works until a period of economic depression will help both directly and indirectly the problem of unemployment. Although public employment offices cannot create employment, they can help to adjust the existing supply of labor to the existing demands for it. Unemployment insurance is a final resort for the irreducible minimum of unemployment.

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In addition to the ever constant danger of occupational accidents or sickness, there is the dread of a dependent old age. Social insurance has been developed for the financial compensation for those individuals who are the victims of the hazards of modern economic organization. Social insurance involves the element of compulsion and governmental supervision, although oftentimes undertaken voluntarily by private organizations. State subsidy is also justifiable because of the reduction in the number of appeals to charity. Workmen's compensation laws are a distinct advance over the older employers liability acts, because the employee is no longer obliged to bring suit. Compulsory sick insurance is almost unknown in America, although highly developed in Europe. Unemployment insurance has not made much progress in America due to the theoretical fear of paternalism on the one hand and the practical fear of abuse, on the other. Mother's pensions are common in many states, but the limited appropriations available restrict their extension to all cases.

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Finally, the only cure for unemployment is employment. The various methods of relief are palliative, not remedies. Unemployment is at the bottom of much of our economic and

social waste and it is socially expedient that an earnest effort be made to solve the greatest of all problems of industry. In the words of President Hoover, "There is no economic failure so terrible in its import as that of a country possessing a surplus of every necessity of life in which numbers, willing and anxious to work, are deprived of these necessities. It simply cannot be if our moral and economic system is to survive."

President's Conference Unemployment, 1921.

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